EB-2009-0332

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Horizon Utilities Corporation for an order approving the recovery of certain amounts related to an unforeseen loss of revenue to be effective January 1, 2010.

HORIZON UTILITIES CORPORATION ("HORIZON UTILITIES") RESPONSES TO ENERGY PROBE RESEARCH FOUNDATION INTERROGATORIES

DELIVERED DECEMBER 1, 2009

Interrogatory # 1

Ref: Manager's Summary, page 3

The evidence at Paragraph 1.8 states that the Applicant provided notice of its concerns regarding the announced shutdowns of three of its Large User Class to the Board by letter on December 23, 2008 and the consequences it anticipated. Further, it provided notice that a Z-factor claim might result.

a) Please provide a copy of the letter referred to in Paragraph 1.8.

b) Did the Board reply to the letter referred to in Paragraph 1.8? If so, please provide a copy of the Board's reply to Horizon.

Response:

a) Please refer to Horizon Utilities' response to VECC interrogatory #2.

b) No, the Board did not reply to the correspondence from Horizon Utilities.

Interrogatory # 2

Ref: Manager's Summary, pages 7 & 8

The evidence at Paragraph 2.7 states that, despite its plans to defer certain projects from 2009 until 2010, projects which are deemed prudent to defer, the Applicant will not achieve its maximum allowable return on equity.

a) In which years does the Applicant believe that it will not reach its maximum allowable return on equity due to the loss of distribution revenue from the Subject Customer?

b) Has the Applicant projected the return on equity deficiency from maximum that it will suffer in each of the years referred to in (a) above?

Response:

a) Horizon Utilities' response to this Interrogatory is being provided in confidence.

b) Please refer to Horizon Utilities' response to Board Staff interrogatories #4(b) and #5(d).

Interrogatory # 3

Ref: Manager's Summary, page 11

The evidence at Paragraph 3.10 states that the Applicant must continue to provide a reliable distribution system to the Large User despite the dramatically reduced distribution revenue received from the Subject Customer. As well, the evidence at Paragraph 3.10 notes that the costs that are allocated to the Subject Customer do not cease because the activity of the Subject Customer is indefinitely reduced.

a) Please provide the costs directly attributable to the Large User Group for the 2006, 2007, and 2008 rate years, and the projection for 2009 and 2010.

b) In the EB-2007-0697 (Horizon 2008 Rates) proceeding, the Applicant noted that the Large User allocated share of cost was 6.84%, or $6,487,111 based on a revenue requirement of $94,859,978. What are the equivalent percentages based on 2008 actual and 2009 and 2010 projections?

c) Has the Applicant had any customers join its Large User Group since the filing of its 2008 rates application (EB-2007-0697)? If yes, please provide the distribution revenue projected for any additions.

Response:

a) The 2007 cost allocation model was filed as part of Horizon's 2008 EDR application (EB-2007-0697). In the model, the distribution expenses were $76,105,429, of which $4,841,736 or 6.36% were deemed Large User related. (Accompanying these responses as Attachment A is a copy of Sheet O1 of Horizon Utilities' cost allocation model, which sets out the calculation noted above.)

Horizon Utilities believes that 6.36% is a reasonable estimation of costs attributable to the Large User Group for the years 2006 to 2010.

b) The best estimation of percentages for 2009 and 2010 projections is 6.36% absent updated data upon which to calculate Large Users costs as a percentage of total costs.

Horizon Utilities will be submitting a cost allocation study as part of its 2011 EDR cost of service application, at which time these percentages will be updated.

Horizon Utilities notes that the numbers quoted by Energy Probe are taken from EB-2007-0697 Exhibit H, Tab 1, Schedule 2 Table 5. These numbers represent the allocation of Revenue Requirement amounts. Said amounts include the allocation of costs addressed in question 3a) above.

c) No new customers have joined the Large User Group since Horizon Utilities' filing of the 2008 rate application (EB-2007-0697).

ATTACHMENT A

REFERENCE: ENERGY PROBE QUESTION 3(a)

2006 Cost Allocation Information Filing
Horizon Utilities Corporation
EB-2005-0375 EB-2007-0001
10/22/2007
Ontario

Sheet O1 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

		Total	1 Residential	2 GS <50	3 GS>50-Regular	6 Large Use >5MW	7 Street Light	8 Sentinel	9 Unmetered Scattered Load	11 Back-up/Standby Power
	Rate Base Assets									
crev	Distribution Revenue (sale)	$82,595,947	$57,763,907	$9,788,209	$11,470,142	$2,770,821	$379,987	$13,595	$126,423	$282,863
mi	Miscellaneous Revenue (mi)	$5,303,694	$3,443,156	$940,621	$553,855	$100,698	$29,555	$710	$228,211	$6,889
	Total Revenue	$87,899,641	$61,207,063	$10,728,830	$12,023,998	$2,871,519	$409,542	$14,305	$354,634	$289,752
	Expenses									
di	Distribution Costs (di)	$10,275,760	$5,410,645	$1,254,386	$2,149,349	$940,659	$368,814	$5,711	$61,828	$84,369
cu	Customer Related Costs (cu)	$11,334,138	$7,535,658	$1,849,301	$1,364,440	$46,292	$121,779	$2,164	$409,327	$5,178
ad	General and Administration (ad)	$12,289,604	$7,344,327	$1,759,563	$2,012,014	$571,518	$282,650	$4,532	$262,893	$52,107
dep	Depreciation and Amortization (dep)	$18,973,872	$10,301,257	$2,389,252	$3,914,947	$1,461,191	$644,245	$10,024	$103,674	$149,283
INPUT	PILs (INPUT)	$9,495,660	$5,133,724	$1,196,565	$1,960,469	$744,739	$326,160	$5,074	$53,714	$75,215
INT	Interest	$13,736,395	$7,426,431	$1,730,948	$2,836,009	$1,077,337	$471,823	$7,339	$77,702	$108,805
	Total Expenses	$76,105,429	$43,152,041	$10,180,017	$14,237,226	$4,841,736	$2,215,472	$34,844	$969,137	$474,956
	Direct Allocation	$0	$0	$0	$0	$0	$0	$0	$0	$0
NI	Allocated Net Income (NI)	$11,794,212	$6,376,411	$1,486,210	$2,435,027	$925,013	$405,112	$6,302	$66,716	$93,422
	Revenue Requirement (includes NI)	$87,899,641	$49,528,453	$11,666,227	$16,672,253	$5,766,749	$2,620,584	$41,146	$1,035,853	$568,378
		Revenue Requirement Input equals Output								
	Rate Base Calculation									
	Net Assets									
dp	Distribution Plant - Gross	$431,714,703	$232,446,412	$54,590,724	$89,933,669	$34,117,881	$14,543,208	$226,483	$2,381,087	$3,475,240
gp	General Plant - Gross	$60,165,650	$32,537,393	$7,581,739	$12,416,987	$4,713,056	$2,067,599	$32,163	$340,234	$476,480
accum dep	Accumulated Depreciation	($222,032,595)	($119,050,993)	($28,167,755)	($46,659,475)	($17,692,504)	($7,337,459)	($114,393)	($1,195,345)	($1,814,671)
co	Capital Contribution	($5,792,817)	($3,171,182)	($730,608)	($1,176,163)	($430,702)	($203,148)	($3,161)	($32,343)	($45,510)
	Total Net Plant	$264,054,941	$142,761,630	$33,274,100	$54,515,018	$20,707,730	$9,070,200	$141,092	$1,493,632	$2,091,539
	Directly Allocated Net Fixed Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0
COP	Cost of Power (COP)	$389,223,488	$112,259,884	$42,998,233	$136,290,071	$92,943,360	$2,620,995	$35,978	$1,165,377	$909,589
	OM&A Expenses	$33,899,502	$20,290,630	$4,863,251	$5,525,802	$1,558,468	$773,243	$12,407	$734,047	$141,653
	Directly Allocated Expenses	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Subtotal	$423,122,990	$132,550,513	$47,861,484	$141,815,873	$94,501,829	$3,394,239	$48,385	$1,899,425	$1,051,242
	Working Capital	$63,468,449	$19,882,577	$7,179,223	$21,272,381	$14,175,274	$509,136	$7,258	$284,914	$157,686
	Total Rate Base	$327,523,389	$162,644,207	$40,453,322	$75,787,399	$34,883,004	$9,579,336	$148,350	$1,778,546	$2,249,225
		Rate Base Input equals Output								
	Equity Component of Rate Base	$131,009,356	$65,057,683	$16,181,329	$30,314,960	$13,953,202	$3,831,735	$59,340	$711,418	$899,690
	Net Income on Allocated Assets	$11,794,212	$18,055,021	$548,813	($2,213,228)	($1,970,216)	($1,805,930)	($20,539)	($614,503)	($185,205)
	Net Income on Direct Allocation Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Net Income	$11,794,212	$18,055,021	$548,813	($2,213,228)	($1,970,216)	($1,805,930)	($20,539)	($614,503)	($185,205)
	RATIOS ANALYSIS									
	REVENUE TO EXPENSES %	100.00%	123.58%	91.96%	72.12%	49.79%	15.63%	34.77%	34.24%	50.98%
	EXISTING REVENUE MINUS ALLOCATED COSTS	$0	$11,678,610	($937,397)	($4,648,255)	($2,895,229)	($2,211,042)	($26,841)	($681,219)	($278,626)
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.00%	27.75%	3.39%	-7.30%	-14.12%	-47.13%	-34.61%	-86.38%	-20.59%